

(R)

ACD - 8645  
HVC MSA - 19/2/98/m

USER PERCEPTION TO THE BUDGETARY REFORMS  
UNDER MODIFIED BUDGETING SYSTEM (MBS)

BY  
LIM CHEONG CHUAN

Perpustakaan Universiti Malaya



A507470231

SUBMITTED TO THE FACULTY OF ECONOMICS &  
ADMINISTRATION, UNIVERSITI MALAYA IN PARTIAL  
FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE  
OF MASTER OF BUSINESS ADMINISTRATION.  
MARCH 1997.

Dimikrofiaken pada 16. 04. 1998  
No. Mikrofis 13616  
Jumlah Mikrofis 2  
HANSIAH BT. MOHAMAD ZAHARI  
UNIT REPROGRAFI  
PERPUSTAKAAN UTAMA  
UNIVERSITI MALAYA

UPR

## ACKNOWLEDGEMENT

This study would not have been possible if not for the assistance granted by several individuals who have kindly gone out of the way to allow me to gather the required data. I would especially like to thank the following people: Mr. Lim Kar Keng and Mr Tan Chee Phin (Ministry of Health); Puan Mahzum Bt Arifin and Puan Foziah Bt Hitam (Dept of Agriculture); Puan Yong Hawa bt Yim and Mrs Lim (Veterinary Services Dept); Tuan Hj Mohd Ali (Drainage & Irrigation Dept); En Muhammad Harun (Dept of Fishery); and Mr Wee Beng Ee (Treasury).

Above all, I would especially like to thank my supervisor, Mr Cyril Hilaris Ponnu, for his guidance and comments throughout the study.

## ABSTRACT

The package of modifications introduced under MBS is an attempt to rationalise the existing PPBS in Malaysia. It is a reaction to the inability of the budget process to link the resources with the performance. Therefore the new system is in many ways a significant departure from the traditional approach since the emphasis now lies on output measurement and accountability rather than input oriented. The implications for public financial managers are that they are now required to be accountable for the performance and impact of their programs/services via a set of new budgetary mechanisms. The study undertaken seeks to explore the views of public managers who are in one way or another involved in the operationalisation of the budget.

Th results show that the new system, built upon the existing PPBS, have been very encouraging and majority are receptive towards the reforms. The reforms have enabled managers to manage since they have been given the requisite flexibility/authority through a generous devolution of authority from the Treasury. However, the majority of the rationalisation of control did not proceed beyond the boundaries of the ministries/agencies. In other words, states, districts and institution managers are still been made dependent upon ministry/agency for movement of funds. This current status goes against one of the fundamental principles of MBS which is that managers nearest to where outputs are produced should be given as much flexibility as possible.

MBS did significantly increase the efficiency and effectiveness of the management of Government programs as evident from the feedback. Many are of the opinion that with MBS programs can be implemented with greater ease and transparency since they are now accountable for performance. Therefore with MBS there is greater responsibility and accountability among managers and as a result there is better budgetary control with regards to the management of programs.

## CHAPTER OUTLINE

CHAPTER ONE	PAGE
1.1 Introduction.....	1
1.2 Background and Statement of Problem.....	2
1.3 Rational and Importance of Study.....	3
1.4 Objective of Study.....	5
1.5 Methodology and Analysis.....	5
 CHAPTER TWO	
2.1 Background of MBS.....	9
2.2 Package of Budgetary Reforms	
2.2.1 Expenditure Target.....	13
2.2.2 Program Agreement & Exceptions Report.....	15
2.2.3 New Policy and One-Offs.....	17
2.2.4 More Generalised Approach to Budgeting.....	19
2.2.5 Cycle of Program Evaluation.....	20
2.3 Benefits of MBS Reforms.....	23
 CHAPTER THREE	
3.1 Research Methodology.....	27
3.2 Analysis of Data	
3.2.1 Demographic & Work Profiles.....	28
3.2.2 Respondents Evaluation of MBS.....	34
3.2.3 Budgetary Control under MBS.....	35
3.2.4 Further analysis using Factor Analysis.....	37
3.2.5 Analysis of factor variables.....	42
3.2.6 Test of Significance.....	46
3.3 Limitations of Study.....	48

<b>CHAPTER FOUR</b>	<b>PAGE</b>
4.1 Conclusions.....	50
4.2 Recommendations.....	53

<b>REFERENCE.....</b>	<b>57</b>
-----------------------	-----------

**APPENDIXES**

Appendix I	Frequency Distribution	A-I
Appendix II	Reliability Test for the following Measurements:	A-II
	-Control	
	-Satisfaction	
	-Effectiveness	
Appendix III	Regression Analysis based on original measurements and other variables	A-III
Appendix IV	Factor Analysis to derive new factors/dimensions	A-IV
Appendix V	Regression Analysis using the new derived factors	A-V
Appendix VI	Frequency Distribution of the new factors and categorisation into low, medium and high	A-IV
Appendix VII	Crosstab with Chi-square of the new factors	A-VII
Appendix VIII	Questionaire	B-I
Appendix IX	Forward Letters by Departments	B-II